

HAMPTON EMPLOYEES' RETIREMENT SYSTEM
MINUTES OF THE MEETING
OF THE BOARD OF TRUSTEES
Meeting date: April 27, 2017

The regular monthly meeting of the Board of Trustees, Hampton Employees' Retirement System was held at 1:00 p.m. on Thursday, March 23, 2017 in the Hardy Cash Conference Room, 5th Floor at City Hall. The meeting was called to order by the chairman and present were:

Present:

Mr. A.G. Womble, Chairman (VM)
Mr. James Peterson, Vice Chairman (VM)
Mr. Karl Daughtrey, Administrator/Treasurer
Mr. Michael Monteith, Trustee (VM)
Mr. Joe Saunders (VM)
Ms. Suzanna Scott, Trustee (VM)
Ms. Pat McFadden, Trustee (VM)
Mr. James Wilson, Trustee (VM)
Dr. Martha Milo-Avery (VM)
Ms. Patricia Melochick, Legal Liaison
Ms. Rhonda Lundy, Secretary
Ms. Loretta Ayers, Recording Secretary
Mrs. Denise Howard, Accountant

Absent

Mr. Bill Benson, Trustee (VM)

The Chairman, Mr. Womble, called the meeting to order at 1:00 p.m.

AGENDA

1. Sector funds discussion
2. Previous Minutes
3. Current Retirement Applications
4. Payroll Summary
5. Transfer of Funds
6. Investment Performance Summary
7. HERS Accountant February 2017 Financial Presentation
8. Board Term Updates

Mr. Womble announced that we would have guests via teleconference. Attendees include Jeff Edwards with Vanguard and Kent Cox with Graystone Consulting. The teleconference will begin at 1:15pm.

At 1:15 pm Ms. Ayers dialed into the Vanguard teleconference line provided by Mr. Edwards. Mr. Edwards introduced Elizabeth Tammaro, Corporate Investment Manager who has worked for Vanguard for 12 years. Mr. Cox, with Graystone Consulting also joined the call.

At the January 26, 2017 Hampton Employees Retirement Board meeting Vanguard was asked to provide their view and estimated outcome on adding sector funds to the HERS portfolio. As a follow-up to the request Mr. Edwards and Ms. Tammaro provided the following data:

- Sector and specialty mutual funds give you access to a very small part of the overall market, like health care, energy, or telecommunications.
- Vanguard believes investors are best served by gaining equity exposure in their portfolios












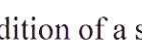
through a broad-market-cap-weighted index

- Though many of these narrowly focused funds have the potential to grow, you should be equally prepared to experience wide swings in the value of your investments—including potentially losses.
- Hampton Employees Retirement System’s current portfolio already includes the Vanguard Institutional Index Fund and the Vanguard Extended Market Index Fund. These two funds combined already provide HERS with broad market-cap weighted coverage across all U.S. sectors.
- Institutional and Index Funds give broad exposure across sector funds.
- Market cap allocation funds move as the market moves.

The current investment in the Vanguard Institutional Index Fund provides the following sector coverage across large cap stocks.

Institutional Index Fund Institutional Shares (VINIX)

Sector weightings as of 02/28/2017

	Sector	VINIX	Benchmark	+/- Weight
	Information Technology	21.5%	21.5%	0.0%
	Financials	14.8%	14.8%	0.0%
	Health Care	14.0%	14.1%	-0.1%
	Consumer Discretionary	12.1%	12.1%	0.0%
	Industrials	10.2%	10.2%	0.0%
	Consumer Staples	9.5%	9.4%	0.1%
	Energy	6.6%	6.6%	0.0%
	Utilities	3.2%	3.2%	0.0%
	Real Estate	2.9%	2.9%	0.0%
	Materials	2.8%	2.8%	0.0%
	Telecommunication Services	2.4%	2.4%	0.0%
	Other	0.0%	0.0%	0.0%
0% 25% Total		100.0%	100.0%	

Sector categories are based on the Global Industry Classification Standard system.

The addition of a sector fund to the HERS portfolio will increase your exposure in that sector above the market weighted level and could increase or decrease portfolio performance.

Mr. Edwards and Ms. Tammaro emphasized that the current HERS portfolio mix does include sector funds coverage and advised the HERS Board to review the following: 1) How does this strategy fit into your Investment Policy Statement (IPS)? 2) What kind of triggers or signals would you look to evaluate before investing in a given sector? 3) Is this a strategy the team has experience with in the past? And 4) How will you judge and measure success of the strategy?

HERS currently portfolio fits well compared to its peers. Pubic defined plans have 51% equity, 32% fixed income and 16% alternative. Of the \$175 billion of funds Vanguard manages only 1% are in sector funds.

In conclusion Ms. Tamaro and Mr. Edwards final recommendation is that it is not an advisable strategy to take.

Mr. Womble asked if there were any questions. Mr. Womble thanked Ms. Tamaro, Mr. Edwards and Mr. Cox for feedback on sector funds.

MINUTES OF THE PREVIOUS MEEETING

Motion was made by Mr. Wilson and seconded by Ms. Milo-Avery to approve the minutes of January 26, 2017 HERS Board meeting without any corrections. This motion was carried unanimously.

RETIREMENT APPLICATION AND DEATH SUMMARY

Ms. Lundy presented the report for recently submitted HERS applications and reported deaths for the months of February and March 2017. In consideration of the retirement applicants for the months of February 2017 and March 2017, motion was made by Mr. Monteith and seconded by Dr. Milo-Avery, that the applications and annuity amounts be approved as submitted. This motion was carried unanimously.

HERS Retirement Application and Reported Deaths						
February-17						

New Retirees	Retirement Date	HERS Pension	Years of Service	Retirement Age	City/Schools	Retirement Type
PARKER, JOANNE M.	2/1/2017	1,105.65	38 YRS 03 MOS	60 YRS 00 MOS	CITY	SERVICE

Retiree Deaths	Date of Death	City/Schools
CULBETH, FRANCINES.	1/18/2017	CITY
HEARN, LEONARD, L.	1/5/2017	CITY
MCEBRIDE-KNOWLTON, MYRA	1/17/2017	CITY
RAY, GLORIA M.	1/25/2017	CITY
CARMEN, JOYCE E.	1/23/2017	SCHOOLS
PENROD, ESTHER D.	1/11/2017	SCHOOLS
SELDEN, ADA B.	1/23/2017	SCHOOLS

Term Vested Death: Not receiving a benefit	City/Schools	DEATH
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VRS ONLY		
Name		
HUNT, LINDA F.	CITY	
FOX, ANGELIA M.	CITY	

HERS Retirement Application and Reported Deaths						
March-17						

New Retirees	Retirement Date	HERS Pension	Years of Service	Retirement Age	City/Schools	Retirement Type
BROCKINGTON, DANIEL	3/1/2017	329.21	20 YRS 10 MOS	63 YRS 08 MOS	CITY	DEFERRED SERV
GLEESNER, SILVAN J.	03/01/17	\$ 56.88	06 YRS 09 MOS	60 YRS 03 MOS	CITY	SERV

Retiree Deaths	Date of Death	City/Schools
ADAMS, THERESA M.	2/10/2017	CITY
WILSON, ROAM	2/27/2017	CITY
ARMSTEAD, WALTER E.	2/16/2017	CITY
CRAWLEY, FRANCES T.	2/16/2017	SCHOOLS
DAWSON, CELIA R.	2/28/2017	SCHOOLS
DEHAVEN, MARY E.	2/14/2017	SCHOOLS
PRICES, JANE W.	2/14/2017	SCHOOLS
RUEHE, FLORENCE M.	2/10/2017	SCHOOLS
WINGFIELD, SHIRLEY W.	2/18/2017	SCHOOLS

Term Vested Death: Not receiving a benefit	City/Schools	DEATH
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VRS ONLY		
Name		
HICKS, GAYLE E.	CITY	
WINER, RICHARD K.	CITY	

HERS PAYROLL SUMMARY

Ms. Lundy reviewed HERS payroll summaries for February 2017 and March 2017 which includes information on monthly payroll totals, Vanguard liquidation amounts and Old Point National Bank funds used to meet the monthly payroll obligations. Ms. Lundy explained that the makeup of vendor payments includes; salaries, postage, supplies, copy machine lease, board food and vendor payments.

1	HERS Monthly Payments		February 2017	March 2017
	Checks		\$ 2,576	\$ 2,576
	Direct Deposit		\$ 1,142,079	\$ 1,139,214
	Payroll Deductions		\$ 278,982	\$ 278,617
	Payroll Total		\$ 1,423,638	\$ 1,420,407
	Vendor Payments		\$ 30,837	\$ 22,193
	Total Payments		\$ 1,454,475	\$ 1,442,600

2	Active and Retiree Totals		February 2017	March 2017
	Retired School		1,516	1,509
	Retired City Payees		1006 = Total 2522	1006 = Total 2515
	School Active		27	27
	City Active EE		40 = Total 67	38 = Total 65

3	Vanguard Redemptions		February 2017	March 2017
	Fund 947 - Institutional Index(Cusip#922040100)		\$ (729,777.00)	\$ (689,573.00)
	Fund 856 Extended Market Index/Tax-Managed Intl FD(Cusip#922008884)		\$ (99,575.00)	\$ (70,354.00)
	Fund 885 - Institut. Dev. Mkts (cusip#921943882)		\$ (32,648.00)	\$ (90,073.00)
	Total Bond Market Index Fund (CUSIP#921937504)			
	Short Term Bond Index Fund (Cusip#921937777)			
	Short Term Corporate Bond Index Fund (CUSIP #92006C508)			
	Cash			
	TOTAL		\$ (862,000.00)	\$ (850,000.00)
	Overage/Shortage from Old Point Natl Bank		\$ (797)	\$ (923)

4	2016-17 HERS		Feb-17	Mar-17
	Payments & Vanguard Summary		as of 2/23/17	as of 3/22/17
	Vanguard Beginning Balance		\$ 127,679,976	126,662,672
	Total Payments		\$ 1,454,475	\$ 1,442,600
	Active (S+C)		67	65
	Retired (S+C)		2522	2515
	Contributions		Contributions	Contributions
	City		\$ 300,355.58	\$ 300,355.58
	School		\$ 291,321.50	\$ 291,321.50
			\$ 591,677	\$ 591,677
	Vanguard Liquidation		\$ 862,000	\$ 850,000
	Cash			
	O.P. - Funds used for Payroll		\$ (798)	\$ (923)
	Vanguard Ending Balance		\$ 126,817,976	\$ 125,812,672

VANGUARD LIQUIDATION HISTORICAL SUMMARY

Ms. Lundy presented the summary of funds transferred from Vanguard since.

FROM NEUBERGER			TO NEUBERGER			FROM RICHMOND CAPITAL			TO RICHMOND CAPITAL		
Date	Amount	TOTAL TO DATE	Date	Amount	Total to Date	Date	Amount	Total to Date	Date	Amount	Total to Date
1994	\$2,680,000		** Sep-03	\$17,481,000	\$17,481,000	1993	\$433,000				
1995	3,719,000					1994	836,000		1994	\$2,075,500	
1996	6,270,500					1995	841,000		1995	1,706,000	
1997	8,062,600					1996	411,000		1996	2,728,500	
1998	10,557,500					1997	1,976,500		1997	4,303,000	
1999	8,733,300					1998	1,383,000		1998	5,811,300	
2000	12,265,000					1999	1,433,000		1999	3,340,500	
2001	5,726,000					2000	3,501,800		2000	5,463,200	\$25,428,000
2002	9,749,000					2001	5,364,000				
2003	1,065,000					2002	2,016,000				
2004	12,205,000					2003	28,770,000				
2005	111,451,818	\$192,484,718				2004	540,000				
2005 includes transfers for payroll and transition to Vanguard)						Transition	63,953,386	\$111,458,686			
Feb-10	341,863					to Vanguard 8/05					
FROM VANGUARD/BNYM*			TO VANGUARD								
Date	Amount	TOTAL TO DATE	Date	Amount	Total to Date						
2005	4,435,000	4,435,000	Aug-05	166,827,653	166,827,653						
2006	12,487,000	16,922,000	Sep-05	90,112	166,917,765						
2007	12,952,000	29,874,000									
2008	13,103,000	42,977,000									
2009	13,486,502	56,463,502									
2010	13,224,218	69,687,720									
2011	13,571,485	83,259,205									
2012	12,116,780	95,375,985									
2013	10,675,939	106,051,924									
2014	9,577,000	115,628,924									
2015	8,849,966	124,478,890									
2016	9,373,000	133,851,890									
Jan-17	851,000	134,702,890									
Feb-17	860,000	135,562,890									
Mar-17	850,000	136,412,890									

*Policy for use of available cash established 3/92:
1) From Distribution/Dedicated accounts;
2) From Richmond Capital account;
3) From Neuberger Berman
(when N&B exceeds 55% at cost, excess utilized for expense needs and balance sent to Richmond Capital)

Modified Policy 2/99:
Same as above except when N&B exceeds 60% on "market basis", excess utilized for expense needs
(not to require liquidation of assets for availability)

Modified Practice May 2009:
Liquidations from Vanguard funds based on "current balance status" relative to asset allocation targets.
I.E. attempt to re-align asset allocation by liquidating from funds that are over their target allocation.

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Same as above except when N&B exceeds 60% on "market basis", excess utilized for expense needs (not to require liquidation of assets for availability)

Modified Practice May 2009:

Liquidations from Vanguard funds based on "current balance status" relative to asset allocation targets. I.E. attempt to re-align asset allocation by liquidating from funds that are over their target allocation.

Question: Mr. Womble

During the years of 2006-2013 the annual disbursement from Vanguard were high? Is this something we can look into?

Action item: Review the Vanguard distributions amounts from 2006-2013.

MONTHLY INVESTMENT PERFORMANCE SUMMARY

Mr. Daughtrey reviewed the HERS Investment Performance Summaries for January 2017 and February 2017.

HERS Board members discussed the possibility of having Kent Cox, with Graystone Consulting, revisit some of the Asset Allocation models presented to the board in August 2015 with a focus on the 70/30 model.

Action item: Have Kent Cox review the different Asset Allocation models with a focus on the 70/30

mix.

Investment – January 2017

- Cost Basis: \$92,816,694
- Market Value: \$125,188,463
- Net Realized/Unrealized Gains: \$1,821,448
- Investment Income: \$79,013
- Total Return: \$1,900,460
- Fiscal Y-T-D: 5.92%
- Target Performance: 7.50%

Investment – February 2017

- Cost Basis: \$92,424,187
- Market Value: \$127,185,623
- Net Realized/Unrealized Gains: \$2,780,933
- Investment Income: \$78,227
- Total Return: \$2,859,160
- Fiscal Y-T-D: 8.23%
- Target Performance: 7.50%

HERS FEBRUARY 2017 FINANCIALS

Mrs. Howard reviewed the Statement of Net Position for the month ending February 28, 2017.

**HAMPTON EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
FOR THE MONTH ENDING FEBRUARY 28, 2017**

ASSETS

Cash and short-term investments	\$	21,254
Investments:		
Bond mutual funds		44,963,744
Stock mutual funds		82,221,878
Accounts Receivable		26,361
Property, Plant, and Equipment		
Office and operating equipment		9,644
Less: accumulated depreciation		(8,493)
Total assets		<u>127,234,388</u>

RESOURCES

Related to pensions	<u>25,066</u>
Total deferred outflows of resources	<u>25,066</u>

LIABILITIES

Accrued Liabilities	\$	14,275
Due to Other Funds		56
Net pension liability		<u>199,690</u>
Total liabilities		<u>214,021</u>

RESOURCES

Related to pensions	<u>21,491</u>
Total deferred inflows of resources	<u>21,491</u>

NET POSITION

Net position-held in trust for pension benefits	127,220,057
Net position-restricted for pension liability	<u>(196,115)</u>
Total net position	<u>\$ 127,023,942</u>

Mrs. Howard also reviewed the Statement of Changes in Plan Net Position for month ending February 28, 2017.

<p style="text-align: center;">CITY OF HAMPTON HAMPTON EMPLOYEES' RETIREMENT SYSTEM STATEMENT OF CHANGES IN PLAN NET POSITION FOR THE MONTH ENDING FEBRUARY 28, 2017</p>

	BUDGET	ACTUAL	UNEARNED OR UNEXPENDED FAVORABLE (UNFAVORABLE)	ACTUAL AS PERCENT OF BUDGET
ADDITIONS				
Investment Income:				
Mkt to Mkt Short Term unrealized loss	\$ -	\$ (295,038)	\$ (295,038)	-
Mkt to Mkt Inst-Index unrealized gain	-	6,073,561	6,073,561	-
Gain on sale of investments	3,543,662	2,869,778	(673,884)	80.98%
Net appreciation in fair value of investments	3,543,662	8,648,301	5,104,639	244.05%
Dividends	3,030,637	1,539,549	(1,491,088)	50.80%
Total investment income	6,574,299	10,187,850	3,613,551	154.96%
Other Revenues:				
Employer contributions	7,100,125	4,733,417	(2,366,708)	66.67%
Miscellaneous	-	23	23	-
Appropriations from Fund Balance	3,816,932	-	(3,816,932)	0.00%
Less investment expense	(22,000)	(10,092)	11,908	45.87%
Total other revenues	10,895,057	4,723,348	(6,171,709)	43.35%
Total Additions	\$ 17,469,356	\$ 14,911,198	(2,558,158)	85.36%
DEDUCTIONS				
Benefits	17,133,332	11,413,192	5,720,140	66.61%
Administrative expenses	336,024	176,402	159,622	52.50%
Total Deductions	\$ 17,469,356	\$ 11,589,594	\$ 5,891,670	66.34%
Change in net position	-	3,321,604	-	-
Net position - July 1	-	123,702,338		
Net position- Feb 28	-	\$ 127,023,942		

Comment: Mr. Womble

All Council Appointed Boards are required to post public notice of the meetings. Effective immediately all HERS minutes and meeting dates are available on line.

HERS Board Seat

Mr. Womble discussed the expiration of Mr. Benson's board seat as given by Ms. Lundy is June 30, 2017. Mr. Benson's seat is City Council Appointed. Ms. Melochick asked if a nominating committee had been appointed and reminded the Board if three or more persons are present at a meeting it is considered a public meeting. At the next meeting there would need to be a closed session to discuss the recommendations submitted for Mr. Benson's seat.

NEXT MEETING

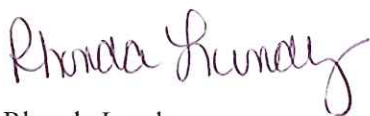
Date: April 27, 2017

Time: 12:30 pm

Location: Hardy Cash Conference 3rd floor**CURRENT ACTION ITEMS**

ACTION ITEM	WHO	Report Date
Forward topics or areas of expertise you would like speak on during a HERS educational session	HERS Board Members	Continuous
Review of Asset Allocation Models	Kent Cox, Graystone Consulting	April 2017
Review of transfer balances from Vanguard; 2006-2013	Rhonda Lundy	April 2017

Respectfully submitted,

Rhonda Lundy,
Retirement Systems Coordinator

HERS NEW BUSINESS**April 27, 2017****RETIREMENT APPLICATIONS AND DEATHS SUMMARY****HERS Retirement Application and Reported Deaths****April-17**

New Retirees	Retirement Date	HERS Pension	Years of Service	Retirement Age	City/Schools	Retirement Type
MUCKERSON, RICHARDINE	4/1/2017	36.93	06 YRS 05 MOS	62 YRS 05 MOS	CITY	DEFERRED SERV

Retiree Deaths	Date of Death	City/Schools
HUTSON, BERTHA C.	3/31/2017	CITY
LEVINSON, BEVERLY D.	3/22/2017	CITY
OGDEN, PATRICIA S.	3/8/2017	CITY
SPEAR, JACK C.	3/10/2017	CITY
WEDDING, THOMAS W.	3/26/2017	CITY
ALLEN, ALEXANDER	3/18/2017	SCHOOL
BOHON, EVA S.	3/15/2017	SCHOOL
PENROD, ESTHER D.	01/11/17	SCHOOL
PETERS, BETTY H.	03/03/17	SCHOOL
SATTERFIELD, NANCY M.	3/27/2017	SCHOOL

Term Vested Death: Not receiving a benefit	City/Schools	DEATH
BLACKLEY, MANSFIELD	3/25/2017	CITY

V R S ONLY	
Name	
AGEE, WILLIAM F.	CITY

April 2017 Payroll Summary

HERS Monthly Payments	April 2017
Checks	\$ 2,576
Direct Deposit	\$ 1,136,516
Payroll Deductions	\$ 278,002
Payroll Total	\$ 1,417,093
Vendor Payments	\$ 21,967
Total Payments	\$ 1,439,061

Payroll totals

Active and Retiree Totals	April 2017
Retired School	1,505
Retired City Payees	1,005 = Total 2510
School Active	
City Active EE	

HERS
Active & retiree totals

Vanguard Redemptions	April 2017
Fund 94/ - Institutional Index(Cusip#922040100)	\$ (574,000.00)
Fund 858 Extended Market Index/Tax-Managed Intl FD(Cusip#922908884)	\$ (156,000.00)
Fund 885 - Institut. Dev. Mkts (cusip#921943882)	\$ (117,000.00)
Total Bond Market Index Fund (CUSIP#921937504)	
Short Term Bond Index Fund (Cusip#921937777)	
Short Term Corporate Bond Index Fund (CUSIP #92006C508)	
Cash	
TOTAL	\$ (847,000.00)
Overage/Shortage from Old Point Natl Bank	\$ (383)

Cash Flow
Summary

2016-17 HERS	April
Payments & Vanguard Summary	As of 4/24/2017
Vanguard Beginning Balance	126,903,269
Total Payments	\$ 1,439,061
Active (S+C)	
Retired (S+C)	2510
Contributions	Contributions
City	\$ 300,355.58
School	\$ 291,321.50
	\$ 591,677
Vanguard Liquidation	\$ 847,000
Cash	
O.P. - Funds used for Payroll	\$ (383)
Vanguard Ending Balance	\$ 126,056,269

Vanguard Liquidations

Vanguard Liquidation Monthly and Cumulative Totals

FROM NEUBERGER			TO NEUBERGER			FROM RICHMOND CAPITAL			TO RICHMOND CAPITAL		
Date	Amount	TOTAL TO DATE	Date	Amount	Total to Date	Date	Amount	Total to Date	Date	Amount	Total to Date
						1993	\$433,000				
1994	\$2,680,000		** Sep-03	\$17,481,000	\$17,481,000	1994	836,000		1994	\$2,075,500	
1995	3,719,000					1995	841,000		1995	1,706,000	
1996	6,270,500					1996	411,000		1996	2,728,500	
1997	8,062,600					1997	1,976,500		1997	4,303,000	
1998	10,557,500					1998	1,383,000		1998	5,811,300	
1999	8,733,300					1999	1,433,000		1999	3,340,500	
2000	12,265,000					2000	3,501,800		2000	5,463,200	\$25,428,000
2001	5,726,000					2001	5,364,000				
2002	9,749,000					2002	2,016,000				
2003	1,065,000					2003	28,770,000				
2004	12,205,000					2004	540,000				
2005	111,451,818	\$192,484,718				Transfer	63,953,386	\$111,458,686			
(2005 includes transfers for payroll and transition to Vanguard)						to Vanguard 8/05					
Feb-10	341,863		TO VANGUARD								
FROM VANGUARD/BNYM*			Date	Amount	Total to Date						
Date	Amount	TOTAL TO DATE	Aug-05	166,827,653	166,827,653						
2005	4,435,000	4,435,000	Sep-05	90,112	166,917,765						
2006	12,487,000	16,922,000									
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2009	13,486,502	56,463,502									
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2013	10,675,939	106,051,924									
2014	9,577,000	115,628,924									
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2016	9,373,000	133,851,890									
Jan-17	851,000	134,702,890									
Feb-17	860,000	135,562,890									
Mar-17	850,000	136,412,890									
Apr-17	847,000	137,259,890									
			<u>*Policy for use of available cash established 3/92:</u>								
			1) From Distribution/Dedicated accounts;								
			2) From Richmond Capital account;								
			3) From Neuberger Berman								
			(when N&B exceeds 55% at cost, excess utilized for expense needs and balance sent to Richmond Capital)								
			<u>Modified Policy 2/99:</u>								
			Same as above except when N&B exceeds 60% on "market basis", excess utilized for expense needs								
			(not to require liquidation of assets for availability)								
			<u>Modified Practice May 2009:</u>								
			Liquidations from Vanguard funds based on "current balance status" relative to asset allocation targets.								
			I.E. attempt to re-align asset allocation by liquidating from funds that are over their target allocation.								

HERS INVESTMENT PERFORMANCE SUMMARY FOR THE MONTH OF MARCH 2017 - BNYM

	Cost	MARKET VALUE	% OF TOTAL	Target %	NET REALIZED/ UNREALIZED GAINS/ LOSSES	INVEST- MENT INCOME	TOTAL RETURN	MONTHLY RATE OF RETURN %	BENCH-MARK RETURN %
BOND FUNDS-Fixed Income									
Total Bond Market Fd. (222)(CUSIP 921937504)	21,790,347	22,596,994			(63,336)	49,240	(14,096)	-0.06%	BC Aggregate Bond Index
Vanguard Short Term Bond Index fund (CUSIP #921937777)	11,141,410	11,077,005			(10,277)	15,216	4,939	0.04%	BC US 1-5 Year Government/Credit Index
Vanguard Short-Term Corporate Bond Index Fund (CUSIP #92206C508)	11,363,088	11,297,602			(4,254)	21,268	17,014	0.15%	BC US 1-5 Year Corporate Index
Subtotal Bond Funds		44,971,601	35.5%	37.0%					
STOCKS									
Vanguard Dev Market Indx-Inst (International) Fund #885									FTSE Developed All Cap ex-US Index
CUSIP 921943882	11,555,723	13,211,086	10.4%	10.0%	326,214	50,396	376,610	2.91%	2.63%
Vanguard Institutional Index Fund #94									
CUSIP 922040100	30,932,705	56,492,934	44.6%	44.0%	(212,445)	273,268	60,823	0.11%	S&P 500 Index
Vanguard Extended Mkt Index (Small Cap Domestic) Extended Mkt #856									
CUSIP 922908884	5,598,880	12,096,788	9.5%	9.0%	(44,826)	36,324	(8,502)	-0.07%	S&P Completion Index
Accrued Income Litigate Settlement/(Cash)									
Total Portfolio	92,382,152	126,772,410			(8,925)	445,712	436,787	0.34%	Composite benchmark FISCAL YTD ROR 8.58% Target performance 7.50% Variance 1.08%
Cost vs Market		34,390,258							

Vanguard Annual Distribution Review
2006-2013

The contribution amounts for Schools were low between the years of 2006-2011 based on the actuarial valuations and as a result, the Vanguard distributions were higher. Below you will find an excerpt of a discussion that occurred at the December 2016 board meeting as it relates to the Schools contributions as well as a review of the contributions, payroll and distribution totals for the years 2006-2015.

What happened that drove the school contributions from 2007 to now? City vs School

Response: Mr. Daughtrey

The actuary does an allocation of HERS assets between City and schools; the schools were overfunded at the time and the assets were greater than the liability. The School assets exceeded the liability and that was main drive. The data fixes were not significant.

Response: Mr. McElhaney

There is a two year lag. We do evaluations, you wait a whole year and then it's used for the next two years after that. It does not line up exactly with the data. Also, during that time there was a lot of data fixes in the schools. Cheiron completed first valuation in 2009, there was a drop in the market and 2011 was the first fiscal year that was effected. You would also have to look at all the prior reports.

Annual Vanguard Withdrawal Totals
2006-2015

	Jul-06	Jul-07	Jul-08	Jul-09	Jul-10
Average Monthly Payroll	\$ 1,275,050	\$ 1,275,000	\$ 1,292,298	\$ 1,338,485	\$ 1,390,691
City Contributions	\$ 140,000	\$ 126,000	\$ 151,820	\$ 175,142	\$ 191,155
School Contributions	\$ 27,000	\$ 24,000	\$ 15,427	\$ 13,078	\$ 89,552
Total contributions	\$ 167,000.00	\$ 150,000.00	\$ 167,247.00	\$ 188,220.00	\$ 280,707.00
Monthly Vanguard Withdrawal	\$ 1,108,050.00	\$ 1,125,000	\$ 1,125,051	\$ 1,150,265	\$ 1,109,984
	12	\$ 12	\$ 12	\$ 12	\$ 12
Annual Vanguard Withdrawal	\$ 13,296,600	\$ 13,500,000	\$ 13,500,612	\$ 13,803,180	\$ 13,319,808
Actual Annual Vanguard Withdrawal	12,487,000	12,952,000	13,103,000	13,486,502	13,224,218

	Oct-11	Jul-12	Jul-13	Jul-14	Jul-15
Average Monthly Total Payroll	\$ 1,416,134	\$ 1,439,628	\$ 1,444,060	\$ 1,445,310	\$ 1,426,735
City Contributions	\$ 191,153	\$ 287,051	\$ 287,051	\$ 359,415	\$ 359,415
School Contributions	\$ 86,731	\$ 265,292	\$ 265,292	\$ 380,654	\$ 380,654
Total contributions	\$ 277,884.68	\$ 552,343.00	\$ 552,343.00	\$ 740,069.00	\$ 740,069.00
Monthly Vanguard Withdrawal	\$ 1,138,249	\$ 887,285	\$ 891,717	\$ 705,241	\$ 686,666
	\$ 12	\$ 12	\$ 12	\$ 12	\$ 12
Annual Vanguard Withdrawal	\$ 13,658,992	\$ 10,647,420	\$ 10,700,604	\$ 8,462,892	\$ 8,239,992
Actual Annual Vanguard Withdrawal	13,571,485	12,116,780	10,675,939	95,777,000	8,849,966